



DIAGNOSTIC SYSTEMS, INC.

Rapid Tests for Earlier Treatment



Investor Presentation

October 2010



Forward Looking Statements



Statements contained herein that are not historical facts are forward-looking statements within the meaning of the Securities Act of 1933, as amended. Those statements include statements regarding the intent, belief or current expectations of Chembio and its management. Such statements reflect management's current views, are based on certain assumptions and involve risks and uncertainties. Actual results, events, or performance may differ materially from the above forward-looking statements due to a number of important factors, and will be dependent upon a variety of factors, including, but not limited to, Chembio's ability to obtain additional financing and the demand for Chembio's products. Chembio undertakes no obligation to publicly update these forward-looking statements to reflect events or circumstances that occur after the date hereof or to reflect any change in Chembio's expectations with regard to these forward-looking statements or the occurrence of unanticipated events. Factors that may impact Chembio's success are more fully disclosed in Chembio's most recent public filings with the U.S. Securities and Exchange Commission



- **Medford, NY Manufacturer of Point-of-Care Rapid Diagnostic Tests**
- **Five Year Revenue CAGR of 33%**
- **FY 2009 Total Revenues of \$13.8MM**
 - Profitable in 2009 and 2010YTD through June 30
 - Anticipate \$15MM+ Revenues in 2010
- **68% of Revenues from FDA Approved Rapid HIV Tests Marketed Globally**
 - in U.S. by Alere (formerly Inverness Medical)
- **Near & Long Term Catalysts**
 - Product Launches Using Chembio's Patented DPP® Rapid Test Platform

FDA Approved Rapid HIV Tests

Distributed in US Exclusively by Alere (formerly Inverness Medical)

- **148% Revenue Increase in 2009 to \$5.3MM**
 - 20% Market Share
- **Competitive Features**
 - CLIA Waived
 - Two Formats
 - 99.7% Sensitivity; 99.9% Specificity
 - Proprietary Formulation Enables 24 Month Stability
 - Strong Marketing Partner



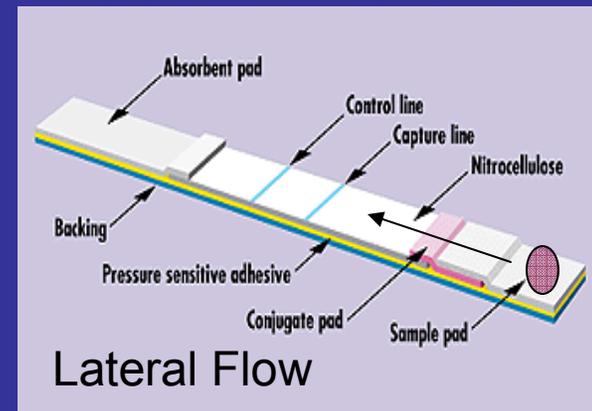
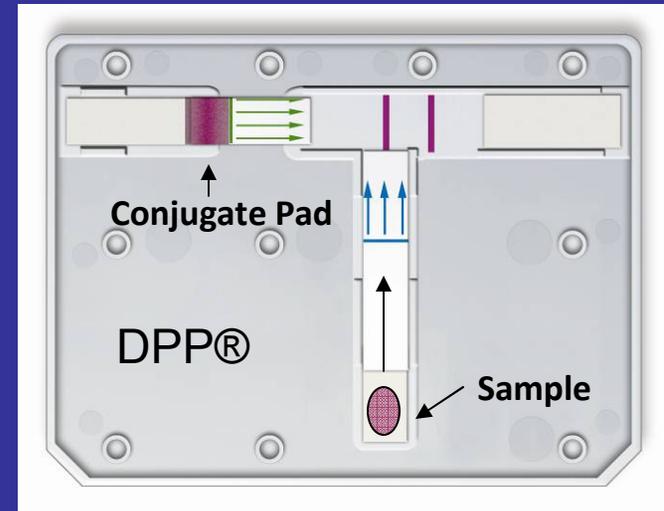
Marketed Ex-US Directly by Chembio
through Distributors

PATENTED DUAL PATH PLATFORM (DPP®)

KEY DESIGN AND PERFORMANCE ADVANTAGES vs. LATERAL FLOW



- Independent Sample Flow Path Enables Improved Sensitivity & Use of More Challenging Sample Types
- Improved Multiplexing Facilitated by Direct Binding, Uniform Delivery of Samples
- US Patent #7,189,522. Patents Issued or Pending in all major markets



Dual Path Platform DPP[®] vs. Lateral Flow

- Dual Path Platform
 - Chembio is a Licensor
 - Basis for Branded & OEM Product Pipeline
- Lateral Flow Platform
 - Chembio is a Licensee
 - Alere Sells in US
 - Ex-US Chembio Pays Alere either 8.5% or 5% Royalty



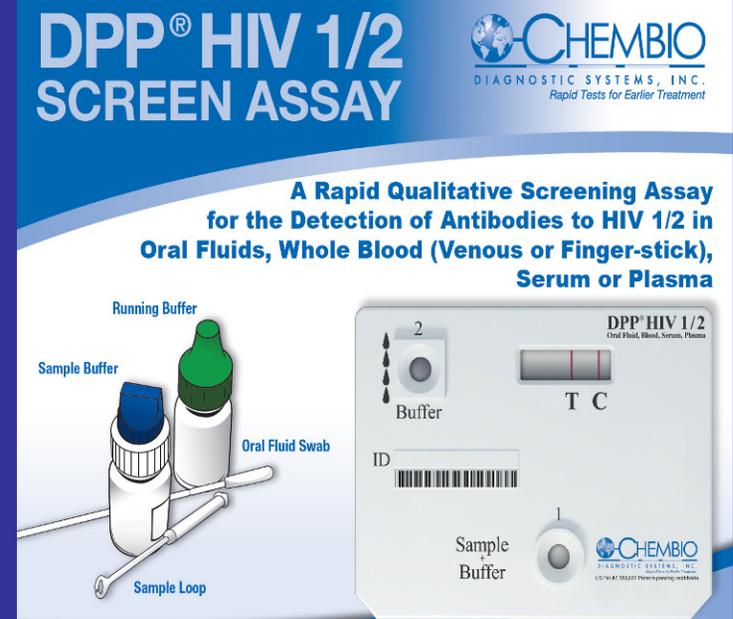
Pipeline from DPP[®] Technology



- 2011-2012
 - Launch of Oral Fluid HIV Test and for Syphilis Tests & Establish Chembio DPP[®] Public Health Brand
 - International DPP Revenues – Brazil
 - Influenza Ag & Ab Tests
- 2012-2014 –
 - Grow Chembio DPP[®] Public Health Brand
 - Launch HIV OTC, Hepatitis C, Influenza Ag & Ab
- 2010-2014 – Participate in New Markets Via OEM Agreements, Strategic Alliances, M&A
 - Respiratory, Cardiac, Auto-Immune
 - Veterinary, Food, Environmental
 - Readers
 - Molecular Technologies

DPP® HIV 1/2 Oral Fluid Assay

- \$60MM/6MM Unit US Market Growing ~15%/Year
- International Studies Completed in 2009
- US Clinical Trials Commenced Q1 2010
- Anticipate PMA approval 2011-12
- OTC Opportunity



DPP[®] Syphilis Screen & Confirm

- First POCT For Syphilis In US – Est. \$30MM Potential Market
- Provides Better Indication Of Active Disease
- Enables Confirmation & Treatment At POC
- Pre-natal Testing
- International Evaluation Ongoing
- Anticipate 510(K) Clearance in 2011

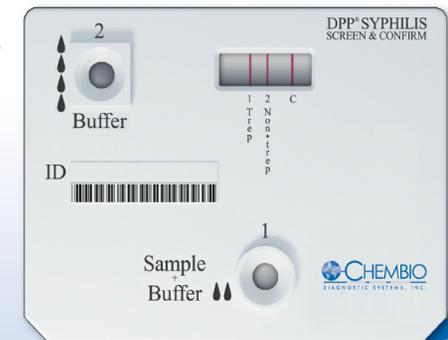
**DPP[®] SYPHILIS
SCREEN & CONFIRM**

CHEMBIO
DIAGNOSTIC SYSTEMS, INC.
Rapid Tests for Earlier Treatment

*The Only Assay to Detect Both Disease Markers
Simply at the Point of Care*

A rapid assay for the detection of non-treponemal and treponemal antibodies to syphilis in whole blood (venous or fingerstick), serum or plasma

- FDA Clearance & CLIA waiver anticipated 2010
- No Return Visits for 2nd Test Needed
- Enables treatment at Point of Care
- Optional Portable Reader Available



**Developed in collaboration
with the U.S. Centers for
Disease Control**

CHEMBIO
DIAGNOSTIC SYSTEMS, INC.
Rapid Tests for Earlier Treatment

OEM Contracts with FIOCRUZ

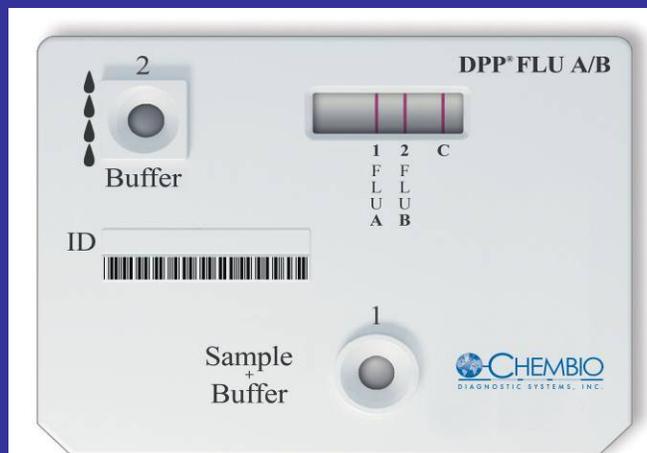
- Four Products Under OEM Agreements with FIOCRUZ
 - Following Successful \$8MM Tech. Transfer Program Completed 2004-2009
- Two Regulatory Approvals in Brazil Received June, Sept of 2010
 - Anticipate Initial Orders in Q4 2010
 - Possible New Agreements



In Development: DPP[®] INFLUENZA

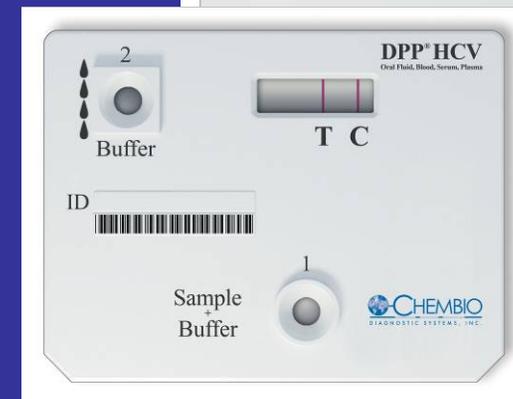
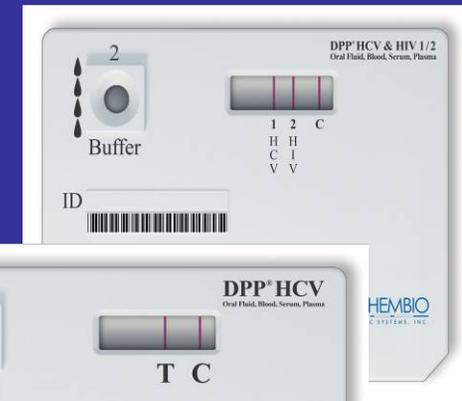
Multiplex Flu A & B Test & 6 Strain Immunity Test

- Large Established Market for Flu A&B tests
- Chembio's First Antigen Detection Test with DPP
- Prototype Shows Improved Performance v. Established Tests
- In Addition: \$900,000 Contract signed Dec. 2009 with CDC Contractor for 6-band Multiplex Immune Status Test



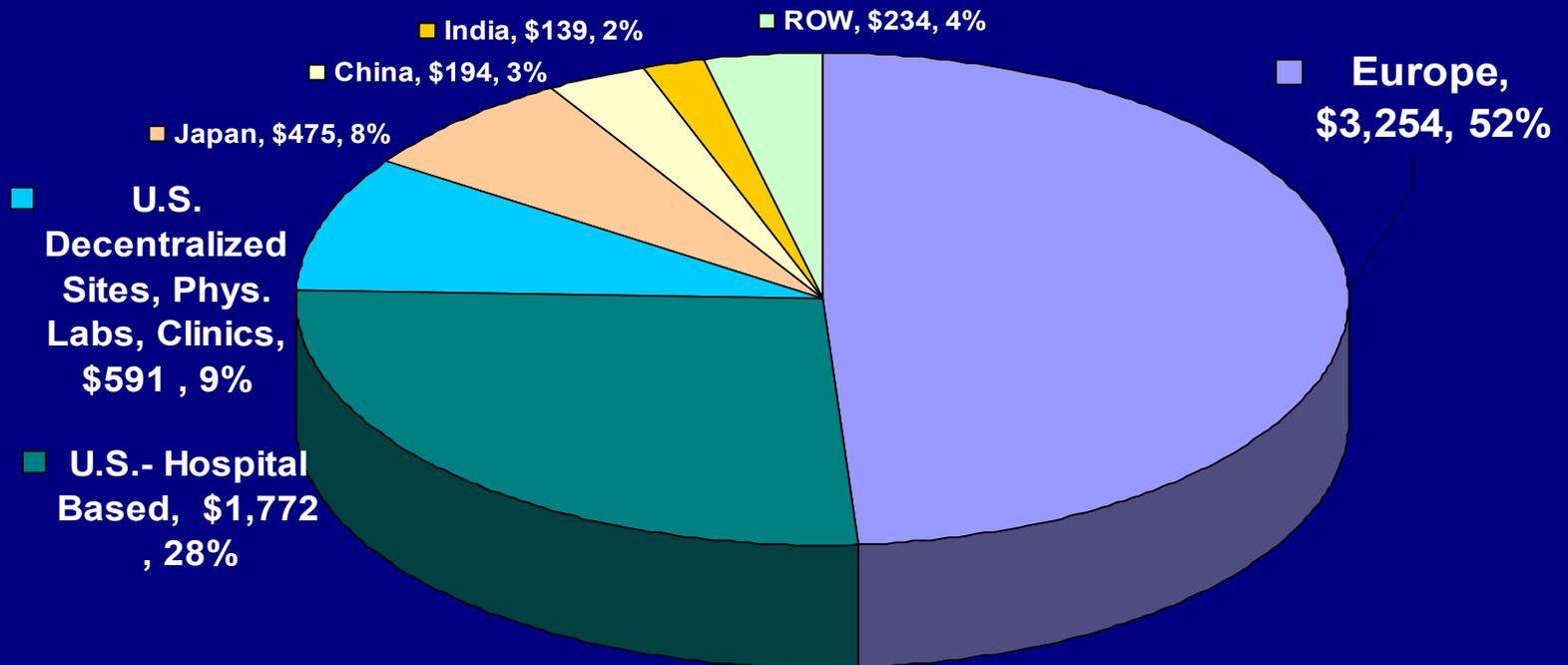
In Development: Hepatitis-C (HCV) & HIV/HCV Comb. Oral Fluid

- **Estimated 3MM HCV Infections in US**
 - Only 22% Diagnosed
 - 25% Co-infection with HIV
 - Major Cause of Liver Disease
 - New therapeutics from Vertex, etc. will drive demand for Dx
- **No HCV Point-of-Care Test in US**
- **Chembio Participating in Pre-Clinical CDC Study with both prototypes – Data Being Submitted for Publication**



\$7B Global Point-of-Care Test (POCT) Market

Worldwide Distribution of POCT Sales (in \$ Millions) and Worldwide Market Shares



At 7% Projected Increases, even with Large Low-Growth Segments (e.g., Glucose), Global POCT Market is Fastest Growing Segment of \$39.5B In-Vitro Diagnostics Market, Projected to Reach \$8.8B by 2012

Source: Independent Market Research Report

Financial Summary

- Historical
 - >33% Five CAGR Sales; Profitable 2009 and through June YTD
 - Improving Gross Margins, Increased R&D, Controlled SG&A
 - Increased US Sales, R&D & License Income, Operating Improvements; Potential Receipt of Additional Grants (NIH, QTDP)
 - \$1MM Debt Extinguished Q2 2010
- Q3-4 2010 Outlook
 - CDC Grants to States Could Improve Q3-4 US Market (Alere) Results
 - International Orders Reported in Q2 to Produce $\geq 25\%$ YOY Growth , + Potential Brazil
 - Oral Fluid HIV Test Clinical Trial Expenditures



Selected Comparative Historical Financial Results



\$(000s)	For the Years Ended			
	2009	2008	2007	2006
Total Revenues	\$ 13,834	\$ 11,050	\$ 9,231	\$ 6,503
Cost of sales	7,974	7,198	6,435	4,894
Gross Profit	5,860	3,852	2,796	1,609
	42.4%	34.9%	30.3%	24.7%
R&D Expense	2,884	2,605	1,907	1,402
SG&A Expense	2,659	3,317	3,765	4,787
Operating Income (Loss)	317	(2,071)	(2,876)	(4,580)
Other Inc. (Expense)	(8)	122	249	(415)
Net Income (Loss) - Stkhldrs	309	(1,949)	(2,627)	(4,995)
Pref. Stock Expenses	-	-	5,645	3,210
Net Loss	\$ 309	\$ (1,949)	\$ (8,272)	\$ (8,205)
Net Income (Loss) - per Share	\$ 0.00	\$ (0.03)	\$ (0.57)	\$ (0.80)
Avg. No. Shares (Millions)	61.946	61.267	14.608	10.293
Working capital	\$ 1,494	\$ 1,664	\$ 3,229	\$ 5,113
Total assets	6,315	5,915	6,585	7,907
Total liabilities	3,227	3,338	2,322	2,297
Equity (Deficit)	3,088	2,577	4,263	(940)

Selected Comparative Historical Financial Results



	<u>For the three months ended</u>		<u>For the six months ended</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Net product sales	\$2,335,665	\$3,051,385	\$4,550,562	\$5,320,801
License and royalty income	\$717,472	\$52,322	\$738,968	\$52,322
Research grant income	\$696,305	\$269,817	\$1,243,328	\$545,999
Total Revenues	\$3,749,442	\$3,373,524	\$6,532,858	\$5,919,122
Gross Profit	\$2,094,966	\$1,361,945	\$3,401,340	\$2,360,634
Research and development	\$791,596	\$702,986	\$1,592,354	\$1,350,358
SG&A	\$680,014	\$542,449	\$1,341,862	\$1,218,262
Income (loss) from operations	\$623,356	\$116,510	\$467,124	(\$207,986)
Net income (loss)	\$621,917	\$109,939	\$464,591	(\$215,294)
Basic earnings (loss) per share	\$0.01	\$0.00	\$0.01	(\$0.00)
Diluted earnings (loss) per share	\$0.01	\$0.00	\$0.01	(\$0.00)
Weighted average number of shares outstanding, basic	62,070,736	61,944,901	62,028,450	61,944,901
Weighted average number of shares outstanding, diluted	70,614,048	74,814,205	71,340,820	61,944,901

Selected Balance Sheet Data



	<u>June 30, 2010</u> (UNAUDITED)	<u>December 31, 2009</u>
CURRENT ASSETS:		
Cash	\$746,848	\$1,068,235
Accounts receivable, net of allowances	1,817,284	1,776,327
Inventories	1,849,708	1,555,903
Other current assets	300,790	266,637
TOTAL CURRENT ASSETS	4,714,630	4,667,102
NET FIXED ASSETS	853,181	580,213
OTHER ASSETS		
Deposits on manuf. equipment	52,824	338,375
License agreements and other assets	686,226	729,560
	\$6,306,861	\$6,315,250
TOTAL CURRENT LIABILITIES	\$2,378,665	\$3,173,132
TOTAL OTHER LIABILITIES	241,460	54,204
TOTAL LIABILITIES	2,620,125	3,227,336
TOTAL STOCKHOLDERS' EQUITY	3,686,736	3,087,914
	\$6,306,861	\$6,315,250

Organization & Management Team



Lawrence Siebert, CEO & Chairman

Richard Larkin, CFO

Javan Esfandiari, Sr. VP R&D

Rick Bruce, VP Operations

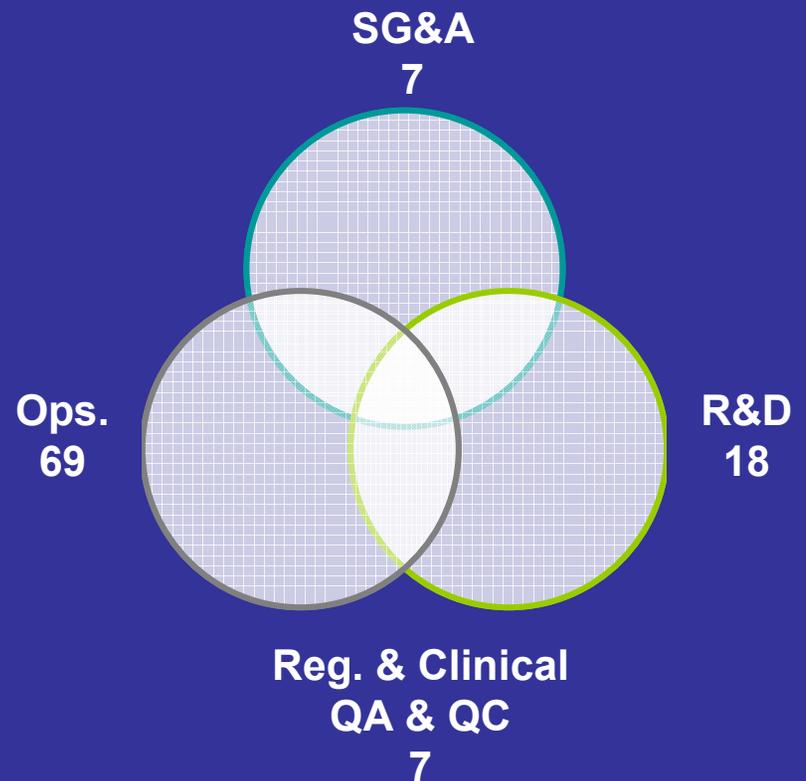
Tom Ippolito, VP Reg., QA/QC

Sandy Speer, Dir. Client Serv.

Dr. Gary Meller, Director

Katherine Davis, Director

**Total Employment
Approx. 100**



CEMI Selected Share Data



Ticker Symbol (OTCBB)	CEMI		
Price 10/20/10	\$0.240		
52 Week High	\$0.390		
52 Week Low	\$0.160		
Outstanding Shares (MM)	62.0		
Market Capitalization (MM)	\$14.9		
Fully Diluted (FD) Shares (MM)	70.3		
Management Holding (MM)-FD	11.3		
Average Volume (3 Mos)	51,000		
Options and Warrants (MM)		Avg. Ex. Price	
Options (MM) (3.95MM held by mgmt. & board)	5.71	\$0.168	
Warrants (MM) - Exp. Dates			
	10/6/2011	2.54	\$0.475
	2/5/2012	0.07	\$0.810
Total Warrants (MM)	2.61		
Total Options & Warrants (MM)	8.32		

SUMMARY

www.chembio.com



- Profitable in 2009 & 6/30/2010 YTD with FDA Approved Lateral Flow Rapid HIV Tests
- Platform Point of Care Technology DPP[®]
 - Robust DPP[®] Product Pipeline for Branded & OEM Products
 - Licensing Revenues
- Near and Long Term Growth Catalysts